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Group-Washington

July 15, 1996

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William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RECEIVED

JUL 15 1996

Federal Communications Commission
Office of Secretary

Dear Mr. Caton:

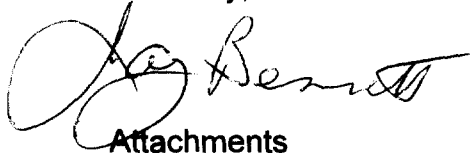
Re: *CC Docket No. 96-98*

Today the attached material was delivered to Jim Schlichting and Anthony Bush in response to their request. Please associate this with the above referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions.

Sincerely,



Attachments

cc: J. Schlichting
A. Bush
ITS

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**BY FACSIMILE and
BY FEDERAL EXPRESS**

July 12, 1996

Mr. James D. Schlichting
Chief, Competitive Pricing Division
Common Carrier Bureau
Federal Communications Commission
Mail Stop Code 1600C
1919 M Street, NW, Room 518
Washington, DC 20554

Re: CC Docket No. 96-98: Implementation of the Local Competition Provisions of
the Telecommunications Act of 1996

Dear Mr. Schlichting:

This responds to your request for information concerning the Cost Proxy Model ("CPM").

Attached is a CPM detail report for tandem switching (based on the same assumptions as stated in my letter of July 10); directions on updating CPM to allow for the development of proxy costs for unbundled elements; and a description of how the CPM can be used for states other than California or at the national level.

We will file this letter with the Secretary's office. Please do not hesitate to call me if you have any questions.

Sincerely,



cc: Mr. Anthony Bush

CPM DETAIL REPORT:

UNBUNDLED TANDEM - STATEWIDE AVERAGE

COST PROXY MODEL: UNIVERSAL SERVICE EDITION
UNBUNDLED TANDEM
STATE SPECIFIC DATA - ALL STATES, ALL COMPANIES

STATE : CA
LINES : 12,794,983

FAMILY	ELEMENT	NON-CABLE QUANTITY	CABLE LENGTH (FT)	INVESTMENT (\$)	REVENUE (\$/MO)	OPERATING EXPENSE (\$/MO)	CAPITAL COST (\$/MO)
DST	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	DROP	1.00		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	TERMINAL	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
DST	XXX		0	0.00	\$0.00	\$0.00	\$0.00
FDR	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	AER_FO		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_FO		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	COND_FO	0 (FT)			\$0.00		
	COND_FOS	0 (FT)			\$0.00		
	PAIR_GN	0.43		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	POLE_FO	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	SAI	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
	UGD_FO		0	0.00	\$0.00	\$0.00	\$0.00
FDR	XXX		0	0.00	\$0.00	\$0.00	\$0.00
REVENU	REVENU_T	0.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	REPR_MTC	1.00		0.00	\$0.00	\$0.02	\$0.00
	SHR_COM	1.00		0.00	\$0.00	\$0.01	\$0.00
STDSVC	XXX			0.00	\$0.00	\$0.03	\$0.00
SW/IO	TM_HOU	446.91		1.76	\$0.00	\$0.00	\$0.03
	TM_MSG	119.22		0.11	\$0.00	\$0.00	\$0.00
SW/IO	XXX			1.87	\$0.00	\$0.00	\$0.03
XXX	XXX		0	1.87	\$0.00	\$0.03	\$0.03

SUBSIDY PER LINE: \$0.06

CPM DETAIL REPORT:**UNBUNDLED TANDEM - DENSITY ZONES**

COST PROXY MODEL: UNIVERSAL SERVICE EDITION
 UNBUNDLED TANDEM
 DENSITY TYPE SPECIFIC DATA - ALL STATES, ALL COMPANIES

DENSITY TYPE	CABLE LENGTH (FT)	INVESTMENT (\$/LINE)	REVENUE (\$/LINE/MO)	OPERATING EXPENSE (\$/LINE/MO)	CAPITAL COST (\$/LINE/MO)	SUBSIDY (\$/LINE/MO)	LINES
21	47,557.15	\$1.70	\$0.00	\$0.04	\$0.02	\$0.06	77,082
22	35,948.46	\$1.72	\$0.00	\$0.04	\$0.03	\$0.07	260,128
23	24,257.52	\$1.76	\$0.00	\$0.03	\$0.03	\$0.06	348,418
24	18,103.45	\$1.81	\$0.00	\$0.03	\$0.03	\$0.06	768,422
25	13,385.93	\$1.87	\$0.00	\$0.03	\$0.03	\$0.06	3,260,958
26	11,421.61	\$1.91	\$0.00	\$0.03	\$0.03	\$0.06	5,820,827
27	6,379.08	\$1.61	\$0.00	\$0.03	\$0.03	\$0.06	2,251,089

Directions on Updating CPM to allow for the development of Costs for Unbundled Elements

(Note: this change does not entail modifying the code, rather the user needs only to set up and modify the CPM input tables.)

Update Instructions:

- 1) Under the CPM_CA/COSTFILS Subdirectory/folder in, please create the following subdirectories/folders:

- PORT
- LINK
- SW_MOU
- SW_MSG
- TANDEM

(Once you have done this the following subdirectories/folders should exist:

- PORT
- LINK
- SW_MOU
- SW_MSG
- TANDEM
- STATEAVG
- WHAT_IF
- SAMPLE)

- 2) Copy the entire contents of the C:/CPM_CA/COSTFILS/STATEAVG Subdirectory/folder to each of the subdirectories/folders that you created in Step 1.

(Once you have done this, a DATA and SASDATA Subdirectory/folder should exist in each of the subdirectories/folders of Step 1. DATA and SASDATA should contain files)

- 3) Copy the AUTOEXE1.SAS file on the enclosed disk (located in the A:/CPM_CA Subdirectory/folder) to
C:/CPM_CA Subdirectory/folder

(This will overwrite the existing file)

- 4) Copy the files in each of the subdirectories on the enclosed disk to the corresponding Subdirectory in the
C:/CPM_CA area

(To assist your movement of files, the structure of the A:/CPM_CA subdirectories/folders on the diskette should match the structure of the C:/CPM_CA area on the hard drive)

(This procedure will overwrite the existing files)

(Please note that due to space limitations on the Diskette, you must copy the contents of
A:/CPM_CA/COSTFILS/SW_MSG/SASDATA

To both

C:/CPM_CA/COSTFILS/SW_MSG/SASDATA and
C:/CPM_CA/COSTFILS/TANDEM/SASDATA)

Directions on Updating CPM to allow for the development of Costs for Unbundled Elements

(Note: this change does not entail modifying the code, rather the user needs only to set up and modify the CPM input tables.)

5) You are now ready to run Unbundled reports.

- Start the CPM system
- From the initial menu, select the element you would like to prepare a report on
 - e.g., UNBUNDLED LINK
- The first time you enter the CPM for each Unbundled item, you MUST reload the COST ENGINE.
- Run a Report

(Please note that due to a software design, 3.50 (represents EUCL) of revenue is automatically loaded into the revenue column of every report. You must manually (in a Text Editor) set the revenue to 0 and add 3.50 to the subsidy amount to arrive at the reports that were filed)

Can the CPM be used for other states or at the National Level?

YES,

As you may well know, Pacific Bell and INDETEC International have co-developed the Cost Proxy Model (CPM) to help prepare telecommunications companies and regulators for the impending changes for Universal Service funding by improving the quality and quantity of information available to make and support universal service, unbundling and related policy decisions.

It is important to note that the basic design of the CPM allows the user to summarize results at many geographic levels. These include, but are not limited to the following:

- Grid
- CBG
- Wirecenter
- Company
- Political Boundaries
- LATA

It is also important to realize that the CPM design also minimizes

- Miscalculation of distances
- Misassignment of customers to the wrong wirecenter
- Misassignment of customers to the wrong company
- Exclusion of wirecenters
- Exclusion of companies

First to be loaded into the model were Pacific Bell engineering and cost numbers. This is not necessarily incorrect for a national proceeding. These costs and practices represent what Pacific Bell believes to be the going forward practices and costs for building a telecommunications network into the future. However, if the user of the model is dissatisfied or uncomfortable with the current values, the CPM has been built to easily accept changes and quickly turn around results.

What are the steps necessary to implement the CPM for another state?

1. The user must first obtain a copy of the licensed CPM software from either Pacific Bell or INDETEC International.
2. The user must obtain the commercially available data.
 - The data can either be purchased from INDETEC or from INDETEC's data partner, Stopwatch Maps. Stopwatch Maps is the current vendor that INDETEC is using to implement the CPM in other states. Stopwatch Maps has the know-how and ability to produce all of the commercially available data that is needed to run the CPM for an individual state or the entire nation.
3. The user has to then copy the Stopwatch Map data to the appropriate CPM data directory
4. The Wirecenter File that is provided by Stopwatch Maps must be cleaned up to Normalize the Company names
5. Some minor data changes must be made to incorporate the company names into the CPM OPX_RTO table
6. Other data changes can occur, or the user can use the default CPM values
7. The entire CPM system is then loaded (1-3 hours for a State)
8. Finally, reports can be generated.

Has the CPM been implemented for other states?

YES, INDETEC is currently in the midst of running the model for 5 other states.